

Policy Brief

Mapping of Exporter Experience in Non-Oil Export Sector in Nigeria



Introduction

Business environment reform is a key driver of economic diversification and inclusive growth. The Nigerian Government took a decisive step in this direction by rolling out executive orders (EOs) on ease of doing business on 18 May 2017. The Orders were targeted at repositioning Nigeria in global non-oil economy through improved capacity for competitive non-oil export. Against this background, PDF II funded a mapping of non-oil exporters was carried out and deliberately focused on MSMEs due to their importance to government's efforts to diversify the productive base of the economy.

MSMEs account for majority of firms globally (95%) with proven dominance in export business and job creation. In Nigeria, the sector accounts for 97% of agricultural sector gross domestic products (GDP), 55.5% of domestic activities in manufacturing, 59.4% of total trade and 98% of arts and entertainments.

The target of the mapping was to provide prescribed export related information to trade operators, make information on areas requiring government's attention available and offer feedback on results of the EOs.

ABOUT US

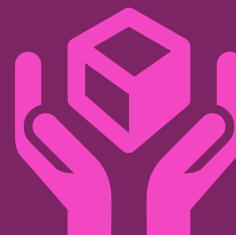
Policy Development Facility Phase II (PDF II) is a flexible, rapid-response programme funded by the UK Aid Department for International Development (DFID). The primary objective of PDF II is to provide targeted assistance to support Nigeria's 'champions of change' across the Federal Government to implement economic and social reforms that lead to poverty reduction. This is done through the provision of high quality organisational support and high quality policy research to build the evidence base for this support.

Context

MSMEs are key drivers of economic diversification and inclusive economic growth. They are usually small, fragile and vulnerable particularly in developing countries. However, they are flexible and easily adaptable to sudden change in situations locally and globally. Internationalisation of SMEs and maximising their export potentials have been a deliberate policy strategy and route to sustainable economic growth in the UK and EU in general.

Focus on growth through the MSMEs is now a deliberate policy strategy of the Federal and the lower level governments in Nigeria. This is especially informed by the hard lessons from the oil sector driven plunge into economic recession in 2017. The government created the Presidential Enabling Business Environment Council (PEBEC) and the Enabling Business Environment Secretariat (EBES) to provide direction to reform champions and provide monitoring framework for the process. The EBES National Action Plans (NAP 60, 2.0 and 3.0) focuses more on creating enabling environment for small business to thrive, produce competitively and access the global market with relative ease.

The ongoing business environment reform has positively impacted Nigeria's global business outlook and reputation. Nigeria made a giant leap on the ease of doing business ranking from 169th position in 2017 to 145th in 2018. On the distance to frontier country (DTF) indicator it made a positive move from 48.18% to 52.03%. Despite the globally acknowledged overall improvement, the DTF score shows that Nigeria remain stagnant on the trading across the borders indicator meaning that significant efforts are still required to improve and mainstream Nigeria into the global trade space. More efforts to improve business registration, registrations associated with exporting, conformity assessment and certification, and border processes and procedures is key to inspiring good performance on both domestic trade scale and trading across the borders.



5 KEY HIGHLIGHTS

ISSUES THAT CONTINUE TO RAISE CONCERNS ON EXPORTS FOR SMES IN NIGERIA

BUSINESS ENVIRONMENT REFORMS



The business environment reforms being implemented by the Federal Government of Nigeria have had positive impact on the business environment and have earned global recognition with the country's upward move by 25 steps on the World Bank Ease of Doing Business Ranking in 2018.

BORDER DOCUMENTATION CHALLENGES



MSMEs in export business still experience significant burdens due to cumbersome documentation and processes relating to registration, conformity assessment, certification and procedure relating to shipping at the borders.

REGISTRATION PROCESSES



Export related registrations have improved one year post-reforms initiation, particularly NEPC registration process. However, business registrations with Corporate Affairs Commission (CAC), Nigeria Exporter Supervision Scheme (NESS), Ecowas Trade Liberalization Scheme (ETLS) registration and Certification of Origin require more attention.

QUALITY ASSURANCE PROCESS



Conformity assessment processes and product certification with Nigeria Agricultural Quarantine Service (NAQS), National Agency for Food and Drug Administration and Control (NAFDAC) and Standards Organisation of Nigeria (SON) require more serious effort to position them towards credibility of business processes and simplification of business process experiences by exporters

BORDER REFORMS



Shipping procedures at the borders – sea, land and air – remain a serious source of concern. Reform efforts targeted at simplification, harmonisation and standardisation of business processes at the borders require targeted intervention and monitoring by the relevant government institutions.

9 STEP EXPORT GUIDE

Step 1:
Export Readiness



Step 2:
E-Registration



Step 3:
Understanding the Market



Step 4
Export Plan



Step 5:
Export Documents & Procedures



Step 6:
Logistics & Freights



Step 7:
Export Pricing



Step 8:
Export Finance



Step 9:
Legal Issues



Business Process Outlook for MSME Exporters in Nigeria

Business process procedure for MSME exporters involve four broad areas

Export Related Registration



Export related registration covers business incorporation, registration as exporter, registration under NESS, ETLS registration, and registrations relating to testing and certification.

Export Related Certification



All items for export require Clean Certificate of Inspection (CCI) issued by private inspection agencies under the NESS. Nigerian Agricultural Quarantine Service (NAQS) issues sanitary and phytosanitary standards (SPS) certificate for agricultural export, Standards Organization of Nigeria (SON) certifies manufacturing exports and National Agency for Food and Drug Administration and Control (NAFDAC) issues certificate of conformity for processed food and drugs.

Border and shipping Procedures

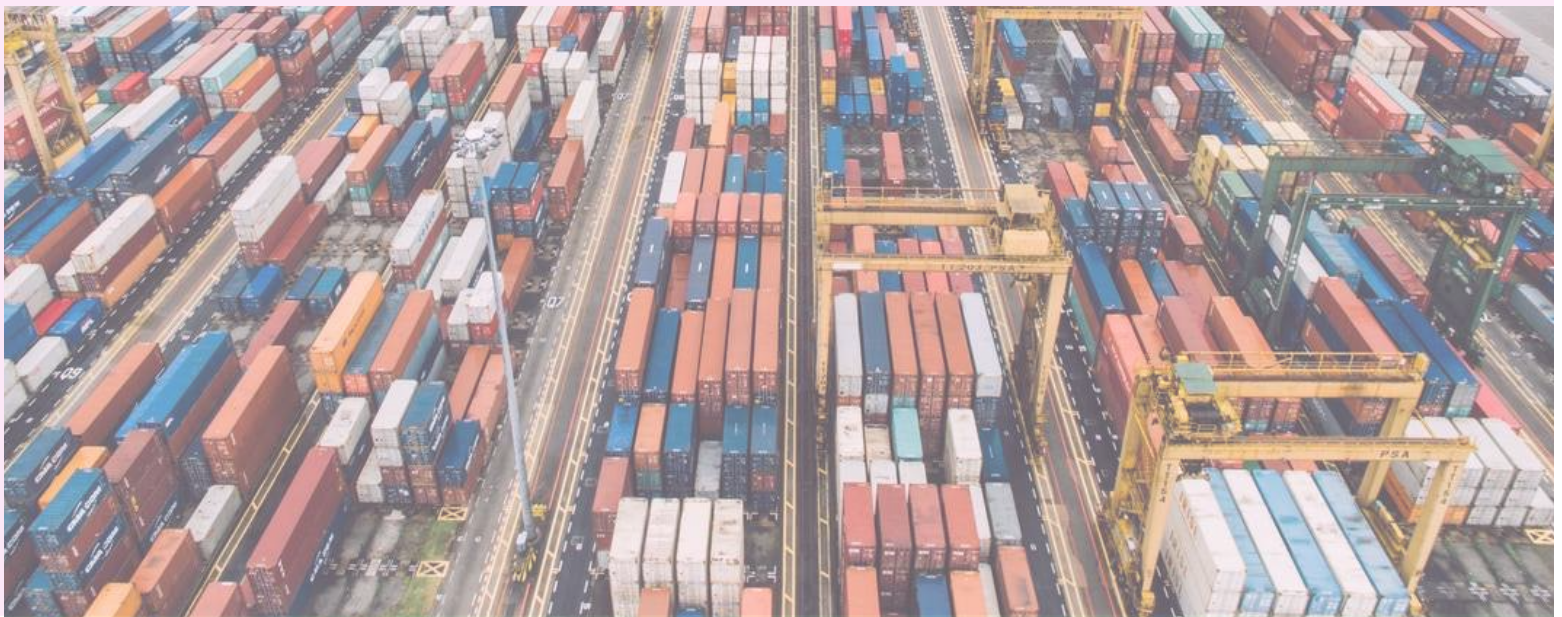


Border processes at the seaport, airport and the land border involve interactions with various public and private agencies led by the Nigeria Customs Service (NCS). Public agencies to interact with at the borders (ports) include NCS, Ports/Aviation Authorities, Border Securities (Narcotics Control Agency, Anti-bomb Intelligence), Certification Agencies (NAQS, SON, NAFDAC). Private agencies to interact with are freight forwarders, shipping lines/airlines/truckers, commercial banks, handling companies (terminal operators), and private inspection agencies.

Repatriation of Fund



This is the final process monitored under the NESS. It begins with opening of export proceeds account and filling the Nigeria Export Proceed (NXP) form at the commercial banks. Accredited private inspection agencies supervise the process on behalf of the government to ensure traceability.



Challenges Faced by Exporters

- Although business incorporation process has improved significantly, access to personalised services were still very limited as at the time of this analysis. Services of accredited consultants – lawyers and secretaries – are still needed for business incorporation. In addition, the process still takes up to 14 days rather than 48 hours as prescribed by the CAC.
- Mandatory exporter's registration with NEPC now takes between 24 and 48 hours. However, exporters report that NEPC seems to be a revenue generator for the government only with no value addition to the export processes.
- NESS registration is still trapped in administrative conundrum particularly relating NXP process. Except for the commercial banks at the borders (ports) significant knowledge gap exists at the inland banks. The NXP process constitutes delays of weeks or more for completion of NESS registration.
- All quality certification agencies seem to be failing on their mandates and constituting significant impediments to export. Many exporters indicate that the cost of insisting on due process is high as delay may compromise the export quality if not total loss of items of export.
- ECOWAS Trade Liberalization Scheme (ETLS) approvals and certification of origin of products takes indefinite number of days. The maximum of ninety days prescribed is contingent on number of applications received. The committee does not meet until some pre-determined number of applications are received.
- Border processes remain largely non-transparent and manipulative with presence of officials not relevant to process, particularly inspections. Rent seeking was clearly observed.
- Exchange rates and time to access export proceeds reported not favourable to exporters during the study.

Recommendations

- Business incorporation should be made more efficient and the CAC IT environment should be improved.
- NEPC must go beyond mere registering exporters to providing market and export process guidance and assistance to exporters
- Reform of NESS process is required. Commercial banks must be trained on NXP process and automation of the process should be considered. Access to export proceed should be made more favourable to exporters
- All certification agencies require intensive monitoring to ensure transparency, efficiency, harmonization of processes, credibility, and elimination of rent seeking

The following should be addressed at the border points:



- Restriction of customs platforms to licensed agents only;



- Delay in accessing seaport terminals, air-cargo warehouse and land tarmacs;



- Non-functional trigger system for inspection, hence manual invitations for inspection by agents



- Officials not relevant to inspections should not be present at the inspection points



- Rent seeking and unreceipted charges by agencies



- Provision of scanners at the borders